

■ How Rural Development Works

The following examples illustrate how USDA Rural Development is working to serve rural citizens and bolster the quality of life in rural communities:

- Earth Day, April 22, 1999. Secretary of Agriculture Dan Glickman announced investments of over \$150 million of USDA funds to improve 82 water systems in 44 States and Puerto Rico. **USDA Rural Development Water and Wastewater Program** funds were leveraged with funds from other sources in excess of \$50 million for an effort totaling over \$200 million.

As part of this national initiative, in Lapel, IN, Rural Development made a \$2.76 million low-interest loan to make major wastewater system improvements. The check was presented at an Earth Day celebration at the local elementary school. Upon receipt of the check, the 500 school kids sang “Happy Birthday to You Dear Earth,” and “We Have the Whole World in our Hands.”

The Rural Development funds are making infrastructure improvements in two phases. In the first phase, existing sewer lines will be rehabilitated, new lines will be built, and some existing sewer lines will be converted to storm water lines. This will eliminate the leakage of ground water into the sewer system that overwhelms the treatment plant. Nearly 800 users in Lapel will benefit by this community project. The day’s events were organized around the theme of “Get the Eek Out of Stoney Creek,” referring to the fact that there have been health concerns due to the high bacteria levels measured in nearby Stoney Creek.

Since 1940, USDA programs have loaned over \$15 billion for safe drinking water and sanitary sewer systems in rural America. The loan program boasts a loan payback rate of 99.9 percent.

- Rural Development presented a \$75,000 check to the directors of the Irondale Citizens Fire Group, Inc., in Missouri. This **Community Facilities Program** funding presented a loan to the not-for-profit corporation in the amount of \$55,000 and a grant of \$20,000.

The loan funds were used to purchase a pumper tanker truck and the grant funds will be used to upgrade and replace fire fighting equipment for the firefighters of the Irondale Fire Protection District. Outdated communication equipment will also be replaced with state-of-the-art equipment.

When the fire district was formed in 1996, its directors immediately began working to improve the fire fighting equipment, hoping to reduce the district’s fire insurance rates. The ultimate goal is to improve the effectiveness of the fire district and provide quality fire protection for citizens.

- The loss of businesses has forced many local communities to diversify their economies and encourage existing small businesses to expand and create new employment opportunities. In Ironwood, MI, a community of approximately 7,500 residents, Extreme Tool and Engineering, Inc., is an example of a company that has greatly benefited from **USDA’s Rural Development Business and Industry Guarantee Loan Program**. Global Tool and Engineering,

Inc., Extreme Tool's predecessor, was on the brink of closing its Ironwood operations.

For its employees, the loss of employment would force the skilled workers to relocate in order to support their families. Knowing they had the expertise and ability to be competitive in the world marketplace, four of its employees purchased the facility from the parent company and created Extreme Tool and Engineering, Inc. Since purchasing the company, they have been able to diversify and expand their customer base and product line. With the assistance of their lender and USDA Rural Development, they have successfully established themselves in a competitive market and saved jobs, as well as added new jobs, in an area desperately in need of them.

The following overviews describe the three Rural Development agencies and their main programs.

■ Rural Business-Cooperative Service

Creation of viable new and improved businesses and cooperatives in rural America is the top priority of the Rural Business-Cooperative Service (RBS). This agency works through partnerships with public and private community-based organizations to provide financial assistance, business planning, and technical assistance to rural businesses. It also conducts research into rural economic issues, including rural cooperatives, and provides educational material to the public.

Business and Industry (B&I) Loan Guarantees help to finance rural business and industry projects that create employment opportunities and improve the economic and environmental climate in rural communities, including pollution abatement and control. Loan guarantees are made for projects that foster sustained community benefits and open private credit markets. Priority for B&I loan guarantees is given to applications for loans from rural areas or cities of 25,000 or less, with loans limited to areas that are not located within the outer boundary of a city having a population of 50,000 or more and the immediately adjacent urbanized area. Loans are limited to \$25 million for any one borrower.

Under the B&I Guaranteed Loan Program, the **Cooperative Stock Purchase Authority** provides financial assistance for the purchase of startup cooperative stock for family-sized farms where the commodities are produced to be processed by the cooperative.

Direct Business and Industry (B&I) Loans are made to public, private, and cooperative organizations, Indian tribes or tribal groups, corporate entities, or individuals to finance businesses within economically deprived communities. The program provides economic stimulus which helps rural areas in greatest need.

Intermediary Relending Program Loans finance business facilities and community development projects in rural areas, including cities of less than 25,000. Loans to intermediaries support the establishment of new business facilities and community development projects in rural areas.